

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL CLASSIFICATION SCHEDULE CHANGE
(LIGHTWEIGHT COMMERCIAL PARCELS)

Docket No. MC2011-28

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-4 OF CHAIRMAN'S INFORMATION REQUEST NO. 1
(August 25, 2011)

The United States Postal Service hereby provides its responses to Questions 1 through 4 of Chairman's Information Request No. 1, issued on August 24, 2011.

Answers were sought no later than August 26, 2011. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

Question 1

The Notice indicates that the Postal Service “has decided to change the name of the transferred product from ‘Lightweight Commercial Parcels’ to ‘Commercial First-Class Package Service’.... *Id.* at 1. In what appears to be a related final rule published in the Federal Register, the Postal Service revises certain mailing standards, as set forth in the Domestic Mail Manual, “to introduce a new competitive product called First-Class Package Service.” 76 Fed. Reg. 51257, August 18, 2011 (Federal Register Notice). The two notices appear to refer to the same product. Please reconcile the inconsistency.

RESPONSE:

Please see page 8 of the Response of the United States Postal Service to Public Representative Comments, filed with the Commission on August 24, 2011 in this docket.

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Question 2

The Postal Service indicates that the changes identified in the Notice are to be effective August 29, 2011, whereas the changes identified in the Federal Register Notice are to be effective October 3, 2011. Please reconcile the different effective dates.

RESPONSE:

Please see pages 8-9 of the Response of the United States Postal Service to Public Representative Comments, filed with the Commission on August 24, 2011 in this docket.

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Question 3

The Postal Service states that "First-Class Package Service parcels will receive the same service as First-Class Mail..." Federal Register Notice at 51258. Please explain if this service is the same as for Priority Mail. If not, please explain the rationale for offering different service levels for the two products.

RESPONSE:

The service accorded to First-Class Mail is not the same as the service accorded to Priority Mail. While the service standards for both First-Class Mail and Priority Mail are one to three days within the contiguous 48 states, Priority Mail has a greater two-day reach than does First-Class Mail. This stems from the differences between the First-Class Mail and Priority Mail networks; Priority Mail utilizes air transportation to a greater degree than does First-Class Mail, and it receives priority handling in processing facilities. Thus, Priority Mail is principally a one and two day service, while the service accorded to First-Class Mail is more evenly divided over one, two, and three days. There are also other, non-service advantages to Priority Mail (e.g., free packaging for some Priority Mail, greater visibility to mail recipients, etc.).

As with other examples of product differentiation within the Postal Service's product offerings, the rationale for offering different service levels for Commercial First-Class Package Service and Priority Mail is to increase profitability through market segmentation. The Postal Service can leverage its First-Class Mail Letters and Flats network to move lightweight parcels at lower costs but somewhat lower speeds than would be the case on the Priority Mail network. This makes it possible for the Postal Service to capture some lightweight parcel volume that it would have otherwise not received because Priority Mail is too expensive for some customers.

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Question 4

Please explain all other differences between the classification changes discussed in the Notice and those discussed in the Federal Register Notice.

RESPONSE:

There are no other differences.